



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0059	Title:	Revise unemployment insurance assessments and rate schedules
Primary Sponsor:	Keane, J.	Status:	As Introduced

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| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Include in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
State Special Revenue	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Revenue:				
State Special Revenue	\$905,570	\$3,173,732	\$3,482,886	\$3,654,586
Other	(\$1,410,881)	(\$4,513,268)	(\$4,893,035)	(\$5,139,054)
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of Fiscal Impact:

This bill increases the Employer Security Account (ESA) tax rates while simultaneously decreasing State Unemployment Tax (SUTA) rates. These two actions will result in at least a revenue neutral or a net decrease effect on tax liability for the largest group of Montana covered employers - private and governmental experience rated entities. New ESA revenues will be designated for Unemployment Insurance Program administration expenses. Decreased SUTA revenues will not adversely affect the Unemployment Insurance Trust Fund.

FISCAL ANALYSIS

Assumptions:

- HB59 increases the administrative assessment in 39-51-404(4), MCA, by 0.04% (to 0.17%) of all taxable wages against employers assigned a contributions rate except rate class 1, schedule 1, as provided in 39-51-1218, MCA. The administrative assessment for rate class 1, schedule 1, remains unchanged at 0.13%.

2. The bill increases the assessment by 0.04% (to 0.17%) of all taxable wages against all employers assigned an industry rate as provided in 39-51-1217, MCA.
3. The bill increases the assessment by 0.02% (to 0.07%) of total wages by all employers as provided in 39-51-1124, MCA.
4. The bill increases the assessment by 0.04% (to 0.09%) of total wages by all employers as provided in 39-51-1218, MCA.
5. The bill decreases the schedule of contribution rates for experience rated employers by 0.07% as provided in 39-51-1218, MCA. It decreases the minimum rate of contributions by 0.04% as provided in 39-51-1212(4), MCA.
6. The administrative assessment will take effect on January 1, 2008 (FY 2008) for experienced rated private employers (except rate class 1, schedule 1 employers who will see no change) and for all reimbursable employers. The first collections related to the January 1, 2008 assessment effective date will occur after April 2008.
7. The administrative assessment will take effect on July 1, 2008 (FY 2009) for governmental experienced rated employers. The first collections related to the July 1, 2008 assessment effective date will occur after October 2008.
8. The increased administrative assessment will generate an estimated \$806,217 in FY 2008 from experience rated private employers based upon projected taxable wages of \$2.02 billion (adjusted for January 1, 2008 effective date). The increased administrative assessment will generate an estimated \$2,317,855 in FY 2009 from experience rated private employers based upon projected taxable wages of \$5.795 billion. The increased administrative assessment will generate an estimated \$2,437,309 in FY 2010 from experience rated private employers based upon projected taxable wages of \$6.093 billion. The increased administrative assessment will generate an estimated \$2,562,916 in FY 2011 from experience rated private employers based upon projected taxable wages of \$6.407 billion.
9. The increased administrative assessment will generate an estimated \$99,353 in FY 2008 from nonprofit and state and local governmental reimbursable employers based upon projected taxable wages of \$497 million (adjusted for January 1, 2008 effective date). The increased administrative assessment will generate an estimated \$398,856 in FY 2009 from nonprofit state and local governmental reimbursable employers based upon projected taxable wages of \$1.994 billion. The increased administrative assessment will generate an estimated \$417,833 in FY 2010 from nonprofit state and local governmental reimbursable employers based upon projected taxable wages of \$2.089 billion. The increased administrative assessment will generate an estimated \$437,721 in FY 2011 from nonprofit state and local governmental reimbursable employers based upon projected taxable wages of \$2.189 billion.
10. The increased administrative assessment will generate an estimated \$457,021 from governmental experience rated employers in FY 2009 based upon projected taxable wages of \$1.143 billion. The increased administrative assessment will generate an estimated \$627,745 from governmental experience rated employers in FY 2010 based upon projected taxable wages of \$1.569 billion. The increased administrative assessment will generate an estimated \$653,947 from governmental experience rated employers in FY 2011 based upon projected taxable wages of \$1.635 billion.
11. Total increased revenues for FY 2008 are estimated at \$905,570 (\$806,217 + \$99,353).
12. Total increased revenues for FY 2009 are estimated at \$3,173,732 (\$2,317,855 + \$398,856 + \$457,021).
13. Total increased revenues for FY 2010 are estimated at \$3,482,886 (\$2,437,308 + \$417,833 + \$627,745).
14. Total increased revenues for FY 2011 are estimated at \$3,654,586 (\$2,562,918 + \$437,721 + \$653,947).
15. The contribution rate decrease for experience rated employers (except for rate class 1, schedule 1) will reduce taxes payable to the Unemployment Insurance Trust Fund by \$1,410,881 in FY 2008, by \$4,056,247 in FY 2009, by \$4,265,291 in FY 2010, and by \$4,485,107 in FY 2011.
16. The contribution rate decrease for governmental experience rated employers will reduce taxes payable to the Unemployment Insurance Trust Fund by \$457,021 in FY 2009, by \$627,745 in FY 2010 and by \$653,947 in FY 2011.

17. Total reduction of taxes payable to the Unemployment Insurance Trust Fund is estimated to be \$1,410,881 in FY 2008, \$4,513,268 (\$4,056,247 + \$457,021) in FY 2009, \$4,893,035 (\$4,265,291 + \$627,744) and by \$5,139,054 (\$4,485,107 + \$653,947).
18. The projected taxable wages referred to in PP 8 thru 10 are based upon FY 2005 data adjusted for projected growth rates, calculated by the Bureau of Business and Economic Research of the University of Montana – Missoula.

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Revenues:</u>				
General Fund (01)	\$ -	\$ -	\$ -	\$ -
State Special Revenue (02258)	\$ 905,570	\$ 3,173,732	\$ 3,482,886	\$ 3,654,586
Federal Special Revenue (03)	\$ -	\$ -	\$ -	\$ -
Other - Trust Fund (06069)	\$ (1,410,881)	\$ (4,513,268)	\$ (4,893,035)	\$ (5,139,054)
TOTAL Revenues	\$ (505,311)	\$ (1,339,536)	\$ (1,410,149)	\$ (1,484,468)

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

State Special Revenue (02258)	\$ 905,570	\$ 3,173,732	\$ 3,482,886	\$ 3,654,586
Other - Trust Fund (06069)	\$ (1,410,881)	\$ (4,513,268)	\$ (4,893,035)	\$ (5,139,054)

Effect on County or Other Local Revenues or Expenditures:

HB59 will present an aggregate increased cost to State/County/City/Local governmental reimbursable employers. These employers elect to reimburse the Unemployment Insurance Trust Fund for actual benefits paid in lieu of contributions. They therefore have no contribution tax rate that can be reduced. Fiscal impact to the affected entities is estimated to be \$40,362 in FY 2008, \$161,177 in FY 2009, \$167,905 in FY 2010, and \$174,913 in FY 2011.

Long-Range Impacts:

Currently, the State Unemployment Insurance Trust Fund (UI) is solvent, and the decreased revenues to the Trust Fund proposed by this bill should not negatively impact fund solvency.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date